

# The Global World of Indian Merchants, 1750–1947

*Traders of Sind from Bukhara to Panama*

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# 1 South Asian merchant networks

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For many centuries, colonies of South Asian merchants were present in many ports of the Indian Ocean and of the China seas. These merchants, both Hindus and Muslims, always kept close links with the regions of South Asia where they came from. Trading networks centred on ports or even inland cities in the subcontinent spanned vast distances. The coastal areas of Gujarat and the Coromandel coast were the two regions from where most of these merchant colonies originated. From the fifteenth century onwards, Sind also contributed to this growing diaspora of South Asian merchants. During the Mughal period, some Indian merchants followed the inland routes leading to Iran and Turan, and new land-based networks developed. By the mid-eighteenth century the small town of Shikarpur in Upper Sind became the main centre of this inland diaspora. Some one hundred years later, around 1860, another inland city of Sind, Hyderabad, spawned a new international network. This chapter will therefore be concerned with defining merchant networks and delineating their functions, as well as their evolution over time, as an introductory effort meant to contextualize the study of two merchant networks from Sind. But firstly a look at the role of South Asian merchants in the world economy is needed.

## **South Asian merchants in the world economy**

The earliest evidence of the presence of colonies of South Asian merchants outside the subcontinent comes from medieval Arab sources. They reveal that Hindu merchants were present in the port of Siraf on the Persian shore of the Gulf since at least the ninth century and that they also frequented the coasts of Oman, Socotra and Aden.<sup>1</sup> In the fourteenth century, Hindu merchants sailed regularly to the South China Sea, as attested by the existence of the remains of a Hindu temple

<sup>1</sup> A. Wink, *Al Hind: The Making of the Indo-Islamic World*, vol. I, *Early Medieval India and the expansion of Islam 7–11th centuries*, Leiden, 1990, p. 65.

in the south Chinese port of Quanzhou (Zaitun).<sup>2</sup> The oldest continuous Indian commercial colony is probably that in Masqat. Documents attest the presence there of a colony of Hindu merchants in the fifteenth century.<sup>3</sup> At the time, the Hindu merchants of Masqat appear to have been Bhatias from the town of Thatta in Lower Sind, with which Masqat had intense commercial relations. When the Portuguese entered the Indian Ocean trade, colonies of Indian merchants, especially from Gujarat, were found in all the major ports between Aden and Malacca. Gujarati merchant networks, both Hindu and Muslim, then played a dominant role in maritime trade and finance across the entire Ocean.<sup>4</sup> Although they suffered as a result of Portugal's attempt at controlling trade, they showed a great degree of resilience and remained active in international trade until well into the eighteenth century. The role of Surat as the major port of the entire Indian Ocean during most of the seventeenth century is well known, and the merchants of Surat had close links with the dispersed colonies of Gujarati merchants. In the late seventeenth and early eighteenth centuries, Kapor Bania merchants from Diu in Kathiawar dominated the trade of Yemen, Hadramaut and Habsh (Abyssinia).

Even with the advent of the European companies and the rise to dominance of the British on the west Indian coast, indigenous Indian merchants continued to be a force in the Indian Ocean trade. Masqat remained the seat of an important colony, although, at some point in the eighteenth century, the Bhatias of Thatta were supplanted by the Kutchi Bhatias, and by a group of Khojas from Hyderabad (Sind) locally known as Luwattiya. Other emporia in the Persian Gulf and the West Indian Ocean with large colonies of Indian merchants were Mocha<sup>5</sup> and Aden in Yemen, Massawa and Berberah on the African coast of the Red Sea. By the end of the eighteenth century, the East African emporium of Zanzibar also had a small but rapidly growing colony of Indian merchants. In the Persian Gulf, Bahrain has been the seat of an

<sup>2</sup> See Chen Dasheng and D. Lombard, 'Le rôle des étrangers dans le commerce maritime de Quanzhou (Zaitun) aux 13<sup>e</sup> et 14<sup>e</sup> siècles', in D. Lombard and J. Aubin (eds.), *Marchands et hommes d'affaires asiatiques dans l'Océan Indien et la Mer de Chine 13<sup>e</sup>-20<sup>e</sup> siècles*, Paris, 1988, pp. 21-9.

<sup>3</sup> See C. H. Allen, 'The Indian Merchant Community of Masqat', *Bulletin of the School of Oriental and African Studies*, vol. 44, 1981, p. 39.

<sup>4</sup> See M. Pearson, *Merchants and Rulers in Gujarat*, Berkeley, CA, 1976.

<sup>5</sup> According to the British traveller Valentia, there were in Mocha around 1810 some 250 resident Banyans (Hindu merchants). Quoted in R. Pankhurst, 'Indian Trade with Ethiopia, the Gulf of Aden and the Horn of Africa in the Nineteenth and Early Twentieth Centuries', *Cahiers d'Etudes Africaines*, vol. 55, 14/3, 1974, p. 455. Most of these merchants appear to have moved to Aden after the British annexation of that port in 1839.

important Indian merchant colony since the beginning of the eighteenth century,<sup>6</sup> while many ports like Abu Dhabi and Dubai on the Arabian shore, and Bushire and Bandar Abbas on the Persian shore, were also home to significant colonies. In the eastern part of the Indian Ocean, Indians continued to play a major role in Malacca, and colonies of Indian merchants were found also in Burma, in Thailand and in Sumatra (Banda Atjeh, in particular). These colonies of Indian merchants, never more than a few hundred strong, maintained close links with the ports of the western littoral of India, particularly Thatta in Sind, Mandvi in Kutch, and various ports in Kathiawar, as well as Surat, Broach and, from the second half of the eighteenth century onwards, Bombay. The Indian traders who resided in those ports for periods of various duration or paid occasional visits to them in the course of a trading season were generally Hindus who had left their family in their native town in India, but there were also Muslim traders from India, who often took their families with them.

Other groups of merchants, from northern India, played a similar role in relation to the land trade between India, Iran, Central Asia and Russia from the sixteenth century, and in the seventeenth century there existed colonies of Indian merchants all over Inner Asia between Lhassa in Tibet and Astrakhan on the Caspian Sea. These two merchant streams, that of the Indian Ocean and that of the Asian landmass, remained largely separate in spite of the existence of connections through Iran between maritime and land routes. This has probably more to do with the segmentation of the Indian merchant world in terms of regional groups than with any structurally determined inability to develop a pattern of integration. The evidence of this segmentation throws doubts on attempts to discover an ‘Indian world economy’ at work in the seventeenth century. A recent proponent of this view locates this ‘world economy’ in the web of ties woven between the economies of northern India and Russia, through Iran and Turan, by the so-called ‘Multani’ merchants.<sup>7</sup> The evidence he musters in support of his view is not altogether convincing. Even admitting that there was a ‘Multani’ ‘world economy’, it cannot be concluded that it was an ‘Indian’ world

<sup>6</sup> In a petition addressed to the viceroy, Lord Curzon, 2 November 1903, ten prominent British Indian merchants of Bahrain, Sindhi and Gujarati, wrote: ‘May it be known to Your Lordship that we came up the Persian Gulf about two hundred years ago . . .’. Enclosed in Oriental and India Office Collections of the British Library, London, India Office Records (IOR), Political & Secret Department Records, Political & Secret Correspondence with India 1875–1911, Political Letters from India 1903, L/P&S/7/134.

<sup>7</sup> For a discussion, see S. Dale, *Indian Merchants and Eurasian Trade, 1600–1750*, Cambridge, 1994, pp. 1–13.



economy, unless one equates 'Multan' with 'India', which is a bold step. There may have been several 'Indian world economies', loosely interconnected.

Proponents of the world system approach argue that in the eighteenth century the Indian economy, or the Indian economies, became part of the new European-dominated world economy.<sup>8</sup> To account *inter alia* for the continued role played by Indian merchants in international trade, they come forward with the notion that India was part of the 'semi-periphery' of the world economy, that it played a role of relay and of intermediary between the centre of the world economy, Europe, and its periphery, consisting of Africa, Asia and Latin America. There is in this thesis an underlying assumption about a decline in the role of Indian merchants in the world economy, which is open to question. It is not my intention here to deny that colonialism had many negative consequences for many Indian merchants. However, an objective assessment of its overall impact is no easy task. There were wide differences in the way various merchant groups were affected: the time sequence is not without importance, as the merchant communities of west and northwest India had more time than their counterparts in the eastern and southern parts of the subcontinent to adapt themselves to the changes introduced by colonization. This may be one of the reasons why merchants from these regions which were annexed in later times were on the whole more successful under the colonial regime than the merchants of the regions which were the first to be colonized.

Between 1750 and the late nineteenth century the merchant world of India went through a complex and gradual process of redeployment, as merchants and bankers largely lost their functions, acquired in the eighteenth century, in the collection and transfer of state revenues. The change did not occur overnight. The East India Company itself remained heavily dependent on the advances of Indian bankers for the first five or six decades of its rule; it is only around 1820 that it established a treasury system which allowed it to dispense with the *hundi*s of the Indian *sahukars* and *sarrafs* in providing for the financial needs of its army and administration.<sup>9</sup> This redeployment of Indian

<sup>8</sup> See I. Wallerstein, 'The Incorporation of the Indian Subcontinent into the Capitalist World-Economy', *Economic and Political Weekly*, vol. 21, no. 4, 25 January 1986, pp. PE 28–39.

<sup>9</sup> Regarding state finance in Northern India in the 1830s, C. A. Bayly writes: 'Now that the great revenue systems were established features of the landscape, Indian merchants were not needed as guarantors, and district treasury bills had begun to replace the *hundi* as the basic instrument of official transactions.' C. A. Bayly, *Rulers, Townsmen and Bazaars: North Indian Society in the Age of British Expansion 1770–1870*, Cambridge, 1983, p. 299.

capital was not necessarily synonymous with a decline in the role played by Indian merchants in the foreign trade of India. During the ‘first colonial century’ there was undoubtedly a massive fall in the share of India’s foreign trade controlled by its indigenous traders, when the East India Company, and, at a later stage, British private capital, established a clear domination over many sectors and geographical areas. However, Indian merchants remained indispensable as partners of British firms, especially in the fast-expanding inter-Asian trade. In the trade with Southeast Asia, Chulia merchants, Tamilian Muslims, who had been active since the seventeenth century, took advantage of the British occupation of the island of Penang in 1786 to increase their operations, both in the tin trade as well as in various commodities imported from the coast of Coromandel.<sup>10</sup> It was in the opium trade, which emerged as one of the most lucrative sectors of the Indian economy after 1770, that this conjunction between British private traders and Indian merchants produced its most spectacular results.

The Malwa opium trade was actually the main source of capital accumulation for many Indian mercantile groups during the late eighteenth and early nineteenth centuries. It was a huge smuggling operation in which the main participants were, on the one hand, the ‘Malwa soucars’, generally Marwaris and Gujaratis, who made the advances to the cultivators (in close alliance with the authorities of some of the princely states of central India) and collected the produce, and, on the other hand, Ahmedabad and Bombay merchants, both Parsis and Gujaratis, often partly financed by European speculators of Calcutta, who arranged for the transport of the drug by caravan to various ports of the west Indian coast, including the Portuguese ports of Damao, Diu and Goa, and its shipment to the Chinese market. As will be seen later,<sup>11</sup> after 1820 the Malwa opium trade, in the face of attempts by the East India Company to interfere with it so as to protect its monopoly of the drug, was rerouted through Rajputana and Sind, a circuitous route which entailed the involvement of Marwari merchants from Rajputana and Hyderabad and Shikarpuri merchants from Sind. After the First Opium War, resulting in the ‘opening’ of China and following the annexation of Sind to British India, this trade was reorganized. Although it was thereafter dominated by a few big British business houses such as Jardines, Indian traders, mostly Parsis,<sup>12</sup> continued to play an important

<sup>10</sup> See K. Macpherson, ‘Chulias and Klings: Indigenous Trade Diasporas and European Penetration of the Indian Ocean Littoral’, in G. Borsa (ed.), *Trade and Politics in the Indian Ocean*, Delhi, 1990, p. 42.

<sup>11</sup> See Chapter 2 below.

<sup>12</sup> On the role of the Parsis in the China opium trade, see D. F. Karaka, *History of the Parsis, Including their Manners, Customs, Religion and Present Position*, London, 1884, vol.

role in it, both as brokers for the Europeans and as operators on their own account.

This massive involvement of Indian traders in the opium trade has been frowned upon by nationalist authors who have labelled participants as compradores. Sight is often lost of the fact that in India most indigenous capital effected its 'primary accumulation' in operations which involved some form of partnership with British merchants. Many of the great family fortunes in Bombay have their origin in opium. In much of the literature on Indian business history, however, the foreign operations of Indian capitalists appear only as a kind of preliminary stage in a linear time sequence, a preparation to industrial investment in India. This 'teleological' reading of the history of Indian capitalism appears to be a dubious *ex post facto* rationalization. Indian businessmen responded to various kinds of opportunities on both the international and domestic markets, and, from 1920 onwards, with the adoption by the colonial government of a policy of 'discriminative protection', opportunities often appeared greater within India than in foreign trading operations. Capitalists who chose to focus on the domestic market to take advantage of that policy later liked to put some gloss on their investment decisions by painting them as being mostly inspired by patriotism, but one need not take them too much at their word.

However, foreign trade never completely lost its attraction to Indian merchants and continuous involvement by many of them, although rarely on a very spectacular scale, is worthy of more attention than it has generally received.

Even in the era of 'high imperialism', i.e. the 1858–1914 period, Indian merchants, particularly those of the west coast, continued to play a role in international trade which was not, as often stated, purely residual. While the trade between Europe and India was undoubtedly a near monopoly of the big British trading houses of Calcutta, Bombay and Madras, which generally did not operate in partnership with Indians, the trade of India with the rest of Asia, as well as with Africa, continued to be largely in the hands of Indian traders. Thus the still considerable trade between India and China, in which opium was progressively displaced by cotton yarn as China's major import from India, offered great opportunities to Bombay traders. In this particular field, Parsis increasingly gave way to Gujarati Muslims, both Khojas and Bohras. Trade with South-East Asia increased considerably in the second half of the nineteenth century, and many Indian traders, mostly from south India, but also from Gujarat, the Punjab and Sind, were

II, pp. 43–4 and J. K. Fairbank, *Trade and Diplomacy on the China Coast: The Opening of the Treaty Ports, 1842–1854*, Cambridge, MA, 1964, pp. 63–7, 155, 160, 173.

extremely active in it. The substantial trade between India and East Africa, centred till the 1890s on the emporium of Zanzibar, was largely a preserve of various groups of Gujarati capitalists, Hindus as well as Muslims. Trade with the Middle East, particularly with the Persian Gulf, remained also an important area of activity for many Indian traders from Kutch, Kathiawar, Sind, Gujarat proper and Bombay. The full extent of Indian participation in India's foreign sea trade is partly masked by the exclusion from official statistics of the data relating to the Kathiawar ports, through which a lot of the Indian Ocean and Persian Gulf *dhow* trade was carried out. Statistics concerning the foreign land trade with Afghanistan, Central Asia, Iran, Sinkiang and Tibet are even more uncertain, but it was a field which remained largely dominated by various groups of Indian traders, even if some were basically agents for British firms. In the trade with Asia and Africa, the existence of long-standing connections gave Indian merchants some kind of competitive edge over European capitalists. The latter, who were generally not familiar with the area, often needed the services of Indian middlemen as intermediaries in transactions with local producers and these middlemen were often in their turn able to entrench themselves in such a way that they maintained areas of independent operations.

After the First World War, in spite of the growing attraction of the domestic market, enhanced by 'discriminative protection', the involvement of Indian merchants in international trade also tended to increase. Groups which had operated almost exclusively within India, like the Marwaris, spotted new opportunities in the jute market, in particular, and some Marwari firms like Birla Bros became important actors on the London jute market. Bombay capitalists, looking for new sources of cotton for the mills, developed a tie with Indian middlemen in Uganda and came to control part of the cotton trade of that territory.<sup>13</sup> Some Indian firms, based in emporia such as Jibuti or Penang, became significant players in the world commodity markets. It exemplified a new trend, by which some Indian merchants became 'global' middlemen, using India as a resource base to raise capital and expertise, but trading in goods which were not produced in India itself. We shall see that the Sindworkies of Hyderabad were a case in point.

Lack of reliable statistical data impedes any attempt at quantifying the role played by Indian merchants in world trade, as distinct from the place of India in world trade. One indication, however, of the continuing role played by Indian merchants in the world economy is the enormous growth of the Indian commercial population settled

<sup>13</sup> See M. Mamdani, *Politics and Class Formation in Uganda*, London, 1976, pp. 86–109.

outside the subcontinent. By 1830, the entire Indian merchant diaspora of the Indian Ocean, the Persian Gulf and the Red Sea must have consisted of not more than a few thousand merchants, the largest colony being in Masqat (some 2,000 Indian merchants around 1840). To this number must be added the few thousand Indian merchants who resided in small dispersed colonies in the interior of Asia, that is in Central Asia, Iran, Afghanistan, Sinkiang, Tibet, etc. One century later, *circa* 1930, the number of Indian traders and commercial employees residing outside India was close to a quarter of a million, of whom some 60 per cent were in the three British colonies of Ceylon, Burma and Malaya.<sup>14</sup> During those hundred years and especially between 1880 and 1930 there was therefore a fairly massive exodus of traders from India towards the rest of the world, mostly, but not exclusively, towards territories in the British Empire. No detailed statistical record of these movements is available, because, prior to 1922, merchants and commercial employees who left India for abroad were not considered 'emigrants' in the sense of the various emigration acts and were not therefore registered. Only a broad guess can be made regarding the quantitative aspects of the migration of merchants and commercial personnel from India, prior to 1922. Even the statistics of emigration for the post-1922 period are incomplete. Some idea of the size of these movements, however, can be derived from scattered data and calculations of scholars. Thus, according to the data collected by K. S. Sandhu on migration between India and Malaya, it appears that, between 1844 and 1931, the total number of 'non-labour' migrants who reached Malaya from India was 643,000.<sup>15</sup> Assuming that half of these 'non-labour' migrants were commercial migrants (the rest being craftsmen, non-commercial employees and professionals), one could conclude that commercial migration between India and Malaya reached the high figure of 300,000 in less than one century. These are of course gross figures. Net commercial migration was much smaller, but the characteristic of commercial migration is precisely that it is a phenomenon of circulation rather than migration proper, rarely resulting in permanent settlement. Extrapolating on the basis of the figures for Malaya, one could estimate total commercial migration from India between 1840 and 1930 to have been in the range of 1–1.5

<sup>14</sup> Calculated by me on the basis of data provided in *Census of India, 1931*, vol. I, *India Report*, by J. H. Hutton, Delhi, 1933, Subsidiary Table IV, 'statement showing details of persons of Indian origin enumerated in various parts of the British Empire for the period 1926–31', pp. 78 ff., and various colonial censuses.

<sup>15</sup> K. S. Sandhu, *Indians in Malaya: Some Aspects of their Immigration and Settlement (1786–1957)*, Cambridge, 1969, Appendix 3, pp. 312–15.

million, i.e. approximately 5 per cent of total Indian migration as estimated by Kingsley Davis.<sup>16</sup>

Estimation of commercial migration needs to take into account that those who ended up as traders often left as labourers. It is well known that the ‘dukawallas’ of East Africa, who formed the backbone of the commercial economy of British East Africa from the 1910s onwards, were the leftovers and descendants of the indentured migrants, both Punjabi Sikhs and Gujarati Patidars, who built the Uganda railway in the late 1890s and early 1900s. The Jains coming from the *bavangami*, a group of fifty-four villages in the neighbourhood of Jamnagar in Kathiawar, who emerged in the twentieth century as a successful business community in Kenya, were originally agriculturists-cum-small traders who shifted to a completely urban and commercial mode of life after their migration.<sup>17</sup> An important distinction is therefore to be made between commercial migrants who were in commercial occupations in India before their migration, and migrants who had other occupations before migration and shifted to trade after they reached their destination. The second category is probably larger than the first one, as it includes, in particular, most of the business communities of East Africa as well as South Africa. The focus of this book however is on the first category, i.e. those who were employed in commerce before they left India. Most of these men (for it was an exclusively male migration, a fact with far-reaching implications) left with some kind of contract with a man in India who was either their employer, if they were salaried commercial employees, or their principal, if they were agents or any other kind of non-salaried employee. Rarely did capitalists themselves leave India for long periods, with the exception of some big Parsi capitalists who settled in the Chinese treaty ports after 1842, and of the occasional big trader who transferred his activities to a location outside India to be in a better position to exploit certain specific kinds of market opportunities.<sup>18</sup>

The interpretation of this fairly massive movement of traders from India towards many territories mostly situated within the British Empire has been dominated by the world system paradigm and it has been seen as one of the principal manifestations of the semi-peripheral status of India within the European-dominated world economy. A somewhat modified version of this paradigm has been recently proposed by Rajat

<sup>16</sup> Davis, *The Population of India*, p. 99.

<sup>17</sup> See M. Banks, ‘Jain Ways of Being’, in R. Ballard (ed.), *Desh Pardesh: the South Asian Presence in Britain*. London, 1994, pp. 231–50.

<sup>18</sup> Such as the big Tamil merchant V. M. Pillay, who migrated from India to Fiji in the early twentieth century to establish a chain of general stores in this Pacific archipelago. He is mentioned in K. A. Gillion, *Fiji’s Indian Migrants*, Melbourne, 1964, p. 134.

Ray,<sup>19</sup> who speaks of a specific Asian bazaar economy within the European-dominated world economy. His analysis, which is articulated around a very explicit comparison between Indian and Chinese merchants, is not without its flaws. While criticizing dualistic views which posit a simple opposition between a modern European-dominated world economy and an Asian bazaar economy, he nevertheless concludes that there emerged within the world capitalist economy a specific 'subformation' which he calls the pan-Asian bazaar, and which he sees as clearly subordinated to the former, a view which also smacks of 'dualism'. Among Indian participants in this pan-Asian bazaar economy, he introduces a distinction between some, like the Nattukottai Chettiars in Southeast Asia, whom he views as largely subservient to the purposes of European imperialism, and others, like the Gujaratis in East Africa to whom he grants a greater amount of agency. The distinction is, however, fairly artificial, and the argument does not carry much conviction. It would be futile to deny agency to the Chettiar bankers in Burma and Southeast Asia: they were the ones who 'opened' Lower Burma to commercial agriculture and British banks were crucially dependent on them to reach the local peasantry. What remains to be understood is how South Asian networks were capable of adapting successfully to a trading world dominated by European capital. For this purpose, it is necessary to free oneself from dualistic models. Asian networks did not form a kind of global subformation within the European-dominated international economy of nineteenth and early twentieth-century Asia. Actually, each network found its place in the global system through a complex and prolonged process in which collaboration and conflict were intertwined themes.

Although significant colonies of Indian merchants and commercial employees were found in most parts of the world from the late nineteenth century onwards, it remains a fairly puzzling fact that they never attracted the same amount of scholarly attention as did other dispersed communities of traders, Chinese, Lebanese, Armenian or Jewish. Only two groups of Indian merchants operating outside India attracted a measure of attention: the Gujaratis in East Africa and the Nattukottai Chettiars in Burma. Both those communities have been seen as typically representative of 'middleman minorities' and the problems they faced, resulting in their final expulsion from Burma as well as Uganda, have been the focus of some studies. The reason is that the 'middleman minority' paradigm has been particularly influential in sociological studies of dispersed communities of merchants. A related approach has

<sup>19</sup> See R. K. Ray, 'Asian Capital in the Age of European Domination: the Rise of the Bazaar, 1800–1914', *Modern Asian Studies*, vol. 29, no. 3, 1995, pp. 449–554.

been centred on the notion of ‘trade diaspora’. In the following section, I present a critique of these dominant paradigms.

### **Trade diasporas and middleman minorities: a critique of two paradigms**

Sociological interest in dispersed merchant groups was initiated by Max Weber’s work and his characterization of Jews as pariah traders. Although his views were partly challenged in the work of other sociologists like Sombart<sup>20</sup> or Simmel<sup>21</sup> who stressed the advantage the ‘stranger’ had in commercial transactions in terms of ‘objectivity’, all these early twentieth-century authors shared an exclusive preoccupation with the role of the Jews in the economy of medieval and modern Europe and tended to ignore non-European traders, even the Sephardic Jews. There was a renewal of interest in the theme on the part of sociologists from the 1960s onwards. Blalock<sup>22</sup> was the first to draw attention more specifically to the problem of the coincidence between minority status and middleman function. His field of empirical inquiry remained the societies of modern Europe. He emphasized scapegoating, the deliberate use by dominant landlord groups of alien minorities as intermediaries in transactions with peasants, allowing them to direct towards these minority groups the anger of the peasantry in time of crisis, as exemplified by the case of the Bogdan Khmelnytsky revolt in seventeenth-century Ukraine, when Polish landlords managed to divert the wrath of the Ukrainian peasantry towards their Jewish estate managers and thus largely to escape death and destruction. He stressed very heavily the political aspect as well as the manipulation of the masses by the elites. In her attempt in the early 1970s at generalizing Blalock’s insights into a theory of middleman minorities,<sup>23</sup> Edna Bonacich enlarged the field of inquiry to areas outside Europe and granted the actors, both the members of the host society and those of the middleman minority, more leeway. Bonacich’s two major differences with Blalock were, on the one hand, that she emphasized the importance of the sojourner mentality among the members of the minority, which led to a certain pattern of economic and political behaviour not conducive to integration with the host society, and, on the other hand, that she viewed the response of the host society as rational and not purely the

<sup>20</sup> W. Sombart, *The Jews and Modern Capitalism*, New Brunswick and London, 1982.

<sup>21</sup> G. Simmel, ‘The Stranger’, in K. H. Wolff (ed.), *The Sociology of Georg Simmel*, New York, 1950, pp. 402–8.

<sup>22</sup> H. M. Blalock, Jr., *Toward a Theory of Minority Group Relations*, New York, 1967.

<sup>23</sup> See E. Bonacich, ‘A Theory of Middleman Minorities’, *American Sociological Review*, vol. 38, October 1973, pp. 583–94.



result of elite manipulation. Her pessimistic analysis of the situation of 'middleman minorities', which led her to predict the spread of ethnic conflicts with an economic rationale, was heavily influenced by contemporary events, like the expulsion of the Uganda Asians by the Idi Amin regime. There remained a certain amount of circularity in her argument: nowhere did she make clear why some minority groups appear more successful than others at fulfilling 'middleman' functions (which are never very precisely defined), except for some cultural 'predisposition', which precisely begs the question.

In the 1970s another paradigm emerged from the side of African anthropology, that of the 'trade diaspora' of which Abner Cohen was the first proponent.<sup>24</sup> It was systematized in the 1980s in a well-known book by Philip Curtin,<sup>25</sup> who took in the whole range of human history since the rise of Mesopotamian civilizations. Curtin saw trade diasporas as historically emerging from the 'trade settlements' analysed by Polanyi when a distinction appeared between the merchants who moved and settled and those who continued to move back and forth. The latter, who might have begun with a single settlement abroad, gradually tended to set up a whole series of trade settlements in alien towns. The result was an interrelated set of commercial communities forming a trade network or a trade diaspora. Curtin's emphasis was mostly on the role of cultural brokers played by these trade diasporas. There was an implicit assumption there about 'cultures' being bonded entities clearly separated from each other. Curtin saw in trade diasporas 'one of the most widespread of all human institutions over a very long run of time', but also one which was 'limited to the long period of human history that began with invention of agriculture and ended with the coming of the industrial age'. For him, the advent of the Industrial Revolution brought in its wake the 'twilight of the trade diasporas', as the uniformization linked to the triumph of Western conceptions of capitalism rendered the function of cultural brokerage fulfilled by the trade diasporas basically superfluous.

Both the middleman minority and the trade diaspora paradigms, in spite of their different emphasis, are perfectly compatible with the world-system approach. It could plausibly be argued that, as the triumph of Western capitalism reduced all non-Western economies to peripheral or at best semi-peripheral status, the old 'trade diasporas' were being transformed into 'middleman minorities'. In a recent book, Christine Dobbin has put forward an argument of that kind on the role played by Asian merchant minorities in the making of the world-

<sup>24</sup> Cohen, 'Cultural Strategies in the Organization of Trading Diasporas'.

<sup>25</sup> P. D. Curtin, *Cross-Cultural Trade in World History*, Cambridge, 1984.

economy.<sup>26</sup> This work, however, distances itself from that school of interpretation. It holds that different groups of Asian merchants have maintained an independent commercial role throughout the period of European domination over Asia.

For many decades, the grand sweep of European imperialism in Asia during the 1750–1905 period (1905 being often seen as marking the beginning of an Asian revival of which victorious Japan was the torch-bearer) exercised such a powerful pull on the mind of economic historians that it led them to overlook the dynamism shown by Asian commercial networks, not only at the level of the various domestic markets, but even more significantly in the arena of international trade, particularly inter-Asian trade. A ‘revisionist’ trend is now perceptible in the wake of the ‘East Asian miracle’, and a growing number of writers emphasize the long-term resilience of Asian commercial networks. They have, however, tended to focus more on Chinese than on South Asian networks.<sup>27</sup> It is true that the subcontinent is far from displaying the same economic dynamism as its eastern neighbours, and that the role of its diaspora is much less in evidence. A close look at the recent economic successes of such trading emporia as Singapore and Hong Kong, however, would reveal that if they owe most of their dynamism to the operation of powerful Chinese business networks, the South Asian factor is not absent. Actually there is an estimate that Indians, who account for less than 0.3 per cent of Hong Kong’s population, control approximately 10 per cent of its overall foreign trade.<sup>28</sup> Although the empirical statistical evidence is hard to come by, and such estimates have to be taken as gross approximations, it is a fact that Indian businessmen, mostly Sindhis, played an important role in promoting Hong Kong exports to such areas as West Africa (most particularly Nigeria) and the Middle East, two regions in which Chinese networks are not known to be very active. It would seem that a sort of division of labour occurred between Chinese and Indian traders. Indians, Sindhis in particular, thus found a profitable niche and were able to take advantage of the spectacular growth in East Asian exports of manufactures to various areas of the world. This confirms the role of ‘global middlemen’ that South Asian merchants, as already mentioned, have

<sup>26</sup> C. Dobbin, *Asian Entrepreneurial Minorities: Conjoint Communities in the Making of the World-Economy, 1570–1940*, London, 1996.

<sup>27</sup> An exception is R. Brown, *Capital and Entrepreneurship in Southeast Asia*, London, 1994, which devotes an entire chapter to the role of Indian traders in the textile trade of Southeast Asia.

<sup>28</sup> Quoted in B. Sue-White, *Turbans and Traders: Hong Kong’s Indian Communities*, Hong Kong, 1994.

been able to perform in the world economy for many decades in an often unnoticed way.

The often implicit assumption that there was a process of unilinear decline in the international role of Indian merchants from a peak represented by a kind of self-contained Indian world economy operating in a pristine pre-colonial world to a trough exemplified by 'middleman minorities' such as the Chettiars, does not bear close scrutiny. South Asian traders were forced by the European domination of the major channels of international trade and finance to redeploy in various ways. Not all, of course, were successful at adapting themselves to the new dispensation. Shipowners, generally Muslims, were one of the categories of merchants who found it particularly difficult to adjust to the new rules of the game. But, if there were losers in the game, there were also winners. The growth of commercial agriculture over large tracts of India offered enormous opportunities to merchant groups which had some capital and a good knowledge of the countryside. This opened one avenue of entry into foreign trade, as indigenous operators slowly moved upwards from financing of peasant cultivators to processing and ultimately exporting of commercial crops such as jute and cotton. The so-called 'Marwaris' are the best-known example of this kind of trajectory, which could be called the 'indirect' route. Other groups, less entrenched in the rural economy, managed to hold on to existing channels of trade, whether by sea or by land, and some of them were in a position to take advantage of European economic penetration of new areas in Asia or in Africa. This would be the case in particular for some of the Gujarati Muslim communities, like the Khojas and the Bohras. A third category would include groups which had no previous orientation towards foreign trade, but which were able to make use of opportunities offered by the colonial regime's outside ventures. The most conspicuous example is that of the Parsis and the role they came to play in the opium trade with China, a largely new kind of trade specifically developed by the British to deal with the problem of the drain of precious metals to China to pay for tea imports. A fourth category would include merchants who were lucky or clever enough to carve for themselves specific niches in world trade thanks to changes in flows and tastes precisely due to the increasing 'Westernization' of the world. It has to be understood that 'Westernization', far from being a purely negative phenomenon for Asian merchants, created new opportunities, in particular in the marketing of 'Oriental' goods, like carpets and different artefacts produced by Asian workshops. The development of a mass market for culturally specific goods is one of the consequences, perhaps unintended, of the growing standardization of consumer tastes the

world over. In particular, it created a niche for goods which could be perceived as ‘different’, although their production techniques increasingly were bastardized forms of ‘Western’ ones.

These different categories should not be seen as mutually exclusive: they actually often overlapped. But altogether they delineate a space within which South Asian merchant networks could operate with a certain degree of independence *vis-à-vis* European capital, although not in opposition to it. To sum up, the study of the role of Indian merchants in the world economy during the period of the dominance of European capitalism is a neglected field of study, owing largely to implicit or explicit assumptions about these merchants being reduced to a ‘subsidiary’ role. It appears necessary to go beyond this kind of explicitly or implicitly dualistic explanation by trying firstly to restore the agency of Asian economic agents such as merchants. This must be seen as a heuristic device rather than a substantive philosophical statement. In this work we shall therefore try to approach the history of two international trading networks of South Asia by trying to reconstruct the internal logic of their operations rather than by attempting to fit them within some existing paradigm. At this stage an examination of the notion of ‘merchant network’ is needed.

### South Asian merchant networks and their meaning

A basic argument of this book is that the notion of merchant networks centred on a micro-region or a locality provides the most appropriate category of analysis for the study of Indian merchants outside the subcontinent. Merchant networks should be distinguished from ‘trade diasporas’ although there are common characteristics. For Curtin, diasporas encompass networks, but while the latter are purely economic, the former include a cultural dimension. No really satisfactory definition of what constitutes a merchant network is found in the literature.<sup>29</sup> It is clear that purely economic definitions are insufficient. The author of one of the rare existing monograph studies of a particular trading network, the Hokkien network centred on Amoy,<sup>30</sup> defines ‘network’ as ‘the fabric of interconnected activities in which the south

<sup>29</sup> For an attempt, not altogether satisfactory, see F. Braudel, *Civilization and Capitalism 15th–18th Century*, vol. II, *The Wheels of Commerce*, London, 1982, p. 149. Braudel distinguishes between ‘networks’ and ‘circuits’. He writes: ‘Any commercial network brought together a certain number of individuals or agents, whether belonging to the same firm or not, located at different points on a circuit or a group of circuits’, and he sees networks as a form of merchant ‘solidarity’, based on trust.

<sup>30</sup> Ng Chin-Keong, *Trade and Society: the Amoy Network on the China Coast 1683–1735*, Singapore, 1983.

Fukienese engaged', by which he means the totality of relationships in which the merchants were implicated.<sup>31</sup> Adopting a more dynamic definition in terms of circulation, I would characterize a network as a structure through which goods, credit, capital and men circulate regularly across a given space which can vary enormously in terms of both size and accessibility. A network generally consists of a centre, a locality or a cluster of localities where capital is raised and where capitalists have their main place of residence, and of dispersed colonies of merchants and commercial employees which keep close links with the network centre. Between the network centre, on the one hand, and the dispersed colonies, on the other hand, goods, but also men (and sometimes women), credit and information circulate. While goods may also circulate widely outside the network (otherwise there would not be any exchange), men, credit and information circulate almost exclusively within it. Most crucial is probably the circulation of information. It is the capacity of the merchants to maintain a constant flow of information within the network that ensures its success. This means two things: first, that 'leaks' have to be avoided as much as possible to the outside world, secondly, that information must circulate smoothly within the network, both spatially and temporally, as it gets transmitted from one generation to another. Although academics are generally dismissive of the cognitive aspect of merchant activity, often deemed to consist of nothing more than the three Rs, in the long run the most successful merchant networks have been those most able to process information into a body of knowledge susceptible of continuous refinement. This body of knowledge, of a pragmatic nature, which is mostly about markets, is more or less congruent with what is often called the 'secrets of the trade'.

The question of the circulation of credit is a complex one. Practically all networks use credit from outside at some point or another. However, an essential characteristic of merchant networks is that credit circulates within the network, generally at rates which are lower than the market rate, and without collateral. This opens up the delicate question of trust. It is generally assumed that merchant networks operate largely on the basis of that immaterial and hard to define commodity that is trust. We are told that preferential rates and the absence of collateral are explained by the existence of a bond of trust between the lender and the borrower. The existence of this bond of trust is in its turn generally related to kinship, caste and community, a point which will be developed later. Regarding credit, another approach to the question would tend to emphasize the correlation between the state of development of the

<sup>31</sup> *Ibid.*, pp. 3–4.

‘official’ or ‘formal’ credit system, and the use of ‘informal’, network-based, credit systems. In other words, the less developed and accessible the ‘official’ banking system, the more merchants tended to borrow money from within their network.

The circulation of men, both between the network centre and the dispersed locations, and between the different locations, is the lifeblood of all networks, especially those which are far-flung. It can take several forms, and a detailed empirical analysis will be presented at a later stage. One of the major questions is that of the relationship between merchant network and kinship network. Kinship is obviously an essential ingredient of all merchant networks, but its importance can be exaggerated. Close empirical analysis reveals that business partnerships are often concluded between men who are not kin-related.

Given the importance of caste in the societies of South Asia, it is tempting to give a central role to caste in sustaining networks of South Asian merchants. In a recent work on the Nattukottai Chettiars, David Rudner has argued that caste was a crucial level of organization for this group of South Indian bankers, and he has mustered an impressive argument to support his case. According to him, it is ‘the qualities of their caste organization’ that enabled the Chettiars ‘to take advantage of the changing colonial economy and become the chief merchant-bankers of south India and Southeast Asia’.<sup>32</sup> It is not sure, however, that his analysis can be generalized. In the case of the Chettiars, there was an almost complete congruence between caste and locality, in as much as all of them originated from one small region of Tamilnadu, known as Chettinad. But this kind of congruence was a rare occurrence in India. Most merchant castes were not tied to a specific locality, even if their myth of origins often referred to one. Conversely, most localities had merchants belonging to different castes or subcastes.

The literature on merchant diasporas often stresses the importance of the links created by a common religion. However, neither Hindu nor Muslim merchants represented anywhere homogenous entities. Between the strongly institutionalized religion of the Nattukottai Chettiar bankers, whose Saivaite temples served as clearing-houses, and the much more fluid religious universe of the Sind Hindu merchants, there was very little in common, in spite of the fact that the two groups could be defined as ‘Hindus’. The same diversity is perceptible among Muslim merchants; between the religious practices and social institutions of the Shia merchants, both Khoja and Bohra, and those of Sunni merchants, there was also a wide gap. Even among Sunnis, Memons clearly

<sup>32</sup> See D. W. Rudner, *Caste and Capitalism in Colonial India: The Nattukottai Chettiars*, Berkeley, CA, 1994.

differentiated themselves from other groups. There was, however, one field in which the Hindu/Muslim difference was important. Diverging concepts of purity and impurity made it rare for Hindu merchants to take their wives out of India, while Muslim merchants generally travelled with their families, especially to Muslim lands. At this stage, a rapid discussion of the problem of the religious taboo attached for Hindus to the crossing of the *kala pani* is necessary. Little is actually known about the way that kind of taboo was conceptualized and enforced among Hindu merchant communities. There is enough evidence that Hindus have been crossing the seas without compunction for many centuries, but what is relatively obscure is the kind of ritual penances which had to be performed on their return. In some communities, such as the Gujarati Vanis of Porbandar during Gandhi's time, we know that these rituals actually took place, but for other communities we lack information. One hypothesis which seems plausible, however, is that the generalized taboo on the voyage of women represented a kind of substitution. The fact that the women of the household did not travel beyond the seas (or the mountain passes leading to Central Asia) seems to have been sufficient to ensure the continuing purity of the household.

Some analysts see a common ethnicity and a common language as more enduring bonds than a common religion. In the subcontinent, however, the frontiers between ethnic groups are often imprecise. The term 'Gujarati merchant', for instance, can apply to merchants of different regions (Kutch, Kathiawar, Gujarat proper), of different religions (Hindus, Jains, Parsis, Shia and Sunni Muslims) and does not correspond to any existing merchant 'community'. The notion of 'merchant community' is moreover fairly ambiguous, as it includes elements of ethnicity, as well as of caste and locality. A good example is that of the 'Marwari' community, on which the most authoritative source is Timberg's work.<sup>33</sup> As used by that author, it refers to a complex cluster of both castes (Agarwal, Maheshwari, Oswal, to name the three most important zones) and regional groups (such as Shekawatis or Bikaneris), defined by a vague common regional origin (a part of Rajasthan), but including Hindus as well as Jains. Actually the term seems to have been devised by 'indigenous' inhabitants of east India to designate all the traders from the northwest who swarmed into Bengal in the second half of the nineteenth century and it was given currency in British administrative language at the time of the 1901 and 1911 Censuses. But there is no very clear evidence that the so-called 'Marwaris' themselves felt that they belonged to one specific community. It

<sup>33</sup> See T. A. Timberg, *The Marwaris: from Traders to Industrialists*, Delhi, 1978.

seems that identification remained for a long period with caste and locality, and that an encompassing Marwari group identity developed at a fairly late stage for reasons which were largely political and had to do with changes in the structure of Bengal politics in the inter-war period.

Sociological literature on Indian merchants, which is sparse, has not put much emphasis on the importance of locality in spite of the fact that historians have noted the emergence at a fairly early stage of commercial towns endowed with specific institutions representing the various merchant groups, which they have sometimes called ‘burgher cities’. C. A. Bayly has written at length on the Naupatti Sabha of eighteenth-century Benares<sup>34</sup> and similar institutions existed in many other towns of northern India and Gujarat, suggesting the existence of strong locally based linkages among merchants belonging to different ‘castes’ and ‘communities’. In many cities and towns, merchants were key participants in urban politics,<sup>35</sup> and a kind of merchant civic culture emerged, which cut across caste and community. Cities like Surat<sup>36</sup> or Broach are prime examples of durable merchant-dominated urban cultures, and it is no accident if those two towns have been foci of very extended merchant networks. It would be interesting if one could produce a typology of the localities which were centres of far-flung networks. A surprising fact is that such networks often emanated from localities which were medium sized rather than large, and also from interior as much as from coastal cities. Thus if sea-ports like Bombay, Surat, Broach, Mandvi or Porbandar were the centres of several active merchant networks, interior towns such as Hoshiarpur, Campbellpore or Quetta also played a role. It would, however, be a mistake to identify merchant networks too closely with the existence of strong urban nuclei and traditions. The tiny princely state of Kutch in Gujarat is an example of a mostly rural area from where numerous far-flung merchant networks originated. Most of the many Kutchi merchants, whether Hindu (Lohana or Bhatia) or Muslim (Ismaili Khojas and Bohras as well as Sunni Memons), who traded anywhere between East Africa and the Far East, and who represented a large percentage of the overall South Asian merchant diaspora, originated from small villages in Kutch,<sup>37</sup> where there were in any case only very few urban agglomerations.

<sup>34</sup> See Bayly, *Rulers, Townsmen and Bazaars*, pp. 177–9.

<sup>35</sup> On the case of Bombay, see C. Dobbin, *Urban Leadership in Western India: Politics and Communities in Bombay City, 1840–1885*, Oxford, 1972.

<sup>36</sup> See D. Haynes, *Rhetoric and Ritual in Colonial India: the Shaping of a Public Culture in Surat City, 1852–1928*, Berkeley, CA, 1991, in particular pp. 60–8 on the role of *Mahajans* and *shetias*.

<sup>37</sup> See the interesting memoirs of a prominent Kutchi Khoja merchant of Singapore, R. Jumabhoy, *Multiracial Singapore*, Singapore, 1970.



These locality based far-flung networks represent an interesting case of direct linkage between the local and the global, which was not mediated in an obvious way by the 'national'.<sup>38</sup> These networks often existed before the advent of the colonial state, and the latter maintained towards them an attitude of studied indifference, as long as they did not interfere with powerful British interests or create political difficulties. This explains why the existence of those networks has been largely unnoticed by economic historians, who tend to reproduce even unconsciously the biases of the colonial state they often denounce. The power ascribed to colonial discourse in many recent writings to invent categories which did not exist in the social reality leads many to ignore the patent fact that the knowledge colonial administrators had of economic and social realities could be very partial. The result is that what does not figure in colonial discourse is deemed unimportant or even non-existent. As the British did not produce a coherent discourse on Indian merchant diasporas, about which they knew little and cared even less, except in very specific contexts, these diasporas have been almost obliterated from the historical record. The study of the history of those networks can throw a new light on the question of the relationship between networks, nations and empires, which is seen by many as of importance to an understanding of our present.

Merchant networks which expanded from India in the nineteenth and twentieth centuries were not migration networks in the classical sense, even if their operations sometime resulted in the establishment of a migratory stream. Men kept circulating between the network centre and the dispersed places of business. In this case, the 'migrants' cannot be studied in isolation from their home towns. This means, for instance, that the study of the (almost exclusively) male diaspora cannot be divorced from a consideration of the role of the women who stayed in the towns, for they influenced the shape of the networks in many ways. The study of the 'sexual economy' of merchant networks is an important part of their overall study. It is of particular importance in the case of the merchants of Shikarpur and Hyderabad.

These two medium-sized inland towns of Sind were home to two very different types of networks engaged in international trade and finance. Shikarpur was the centre of a financial network which developed in the

<sup>38</sup> In a short paper, Sugata Bose drew attention to the existence of direct linkages between the world economy and South Asian regional economies. See S. Bose, 'The World Economy and Regional Economies in South Asia: Some Comments on Linkages', in S. Bose (ed.), *South Asia and World Capitalism*, Delhi, 1990, pp. 357–62. I would stress here that these linkages extended even to certain localities, independently of their insertion into 'regional' economies.

second half of the eighteenth century in direct relation to the rise of the Durrani Empire, in a town of Upper Sind which was very closely linked with Kandahar. Although it suffered from the decline of the Durrani state in the first two decades of the nineteenth century and never recovered its shine of the late eighteenth century, the expertise and capital accumulated by the Shikarpuri bankers allowed them to take advantage of a new surge in Indo-Central Asian trade from the 1840s onwards to rebuild an active network based on the financing of the caravan trade and on close links with the Uzbek khanates of Central Asia. The British annexation of Sind did not modify significantly the outward orientation of the Shikarpuri bankers, as it did not lead in the short term to widely increased opportunities in Sind itself. We have there the case of a network which developed independently of the British connection and was able to maintain this relative independence until the time of the Russian Revolution. The case of the Sindwork merchants of Hyderabad is very different. Hyderabad was home to a community of bankers and merchants who had close links to the regime of the Amirs which was overthrown by the British in 1843. Faced with the extinction of their traditional role as bankers of the state and financiers of craft producers who worked mainly for the market of the court, they had to seek new outlets. They took advantage of the strengthening of commercial links between Sind and Bombay to embark upon a completely new venture, which was the sale of the local craft productions to a European clientele, first in Bombay, then in Egypt and later on a worldwide scale. Those two networks provide a study in contrast: one was land-based, the other sea-based; one was mostly financial, the other almost exclusively commercial; one was pre-colonial, the other a product of political and economic changes linked to the advent of colonialism. At the same time, they had many common features: both used 'traditional' forms of business organization and of accounting techniques, although the Sindworkies operated in the world of international maritime trade where the telegraph and the steamship had produced a real revolution in methods of business, while the Shikarpuris still relied on camels and couriers for the transport of goods and the transmission of information.

While very specific in many ways, those networks were by no means unique. Many of their most characteristic traits were found also among other groups of Indian traders who were dispersed throughout the world – Hindus, Sikhs and Muslims. I conceive this study as relevant to the study not only of South Asian merchant networks, but also of international merchant networks in general. At the same time, those two networks were very much rooted in their local context. Since little

is known about the economic and social history of Sind, this work is also an attempt at opening up a little-developed field in South Asian regional studies. That is why chapter 2 will concentrate specifically on Sind.